

statistical development, on the administrative structure, on the kind of planning and so on. The real question is perhaps not so much disaggregation, as how far decentralization of both planning and data collection is possible.

National Economic Accounting

by Dudley Seers

This was an area of keen controversy. It centred on the question whether, as many official statisticians claimed, international (and in some cases bilateral) agencies were distorting statistical priorities, by putting pressure on national statistical offices to spend a good deal of scarce professional manpower on what was needed to fill in returns or to provide information to back an aid request, rather than devising accounting systems that suited national needs. Under such pressures, estimates were produced (e.g. for food production or services) which were neither needed by local policymakers or analysts nor of defensible quality professionally.¹

It became really clear to me for the first time that questions like: Does the SNA suit 'developing' countries? put matters the wrong way round. The real question is: What are the key areas for policy or analysis? This will vary from country to country; in some it may be slums and nutritional deficiencies in the towns; or other inadequate health and educational services in the countryside. The statistical office should give priority to providing information on such problem areas, and as it organized comprehensive annual surveys in an increasing number of individual sectors it might at some stage (which was unlikely to come in the present century for many countries) feel justified in contemplating their being put together into a published set of accounts for the economy as a whole.

The timing of this last step would depend in part on when the planning office felt the need for it. Clearly many do not. In a background paper, Michael Ward pointed out that "many published national accounts data are not really used" by planning offices where the main task may be project appraisal and programme evaluation.²

The prime need for an effective macro-economic plan is anyway likely to be an account for the leading dynamic sector — such as the account the Central Bank of Venezuela has prepared for petroleum. Such an account is particularly

necessary where much of the sector is foreign-owned. In fact individual accounts of major foreign companies are needed both by the government and the public, at least in countries where there is awareness of the problems of controlling such companies.³ To publish them — even to collect the data — may not be easy in countries where statistical publication is limited by 'confidentiality' clauses in legislation.⁴

In addition, commodity flow statistics tracing key primary products through their processing and distribution, are likely to be of major importance. It is of course true, as is argued by United Nations officials defending the SNA, that this system makes specific provision for commodity balance sheets. It is also claimed that whatever degree of detail one wishes can be obtained by disaggregation of the main tables. 'Disaggregation', however, is the wrong way of looking at the matter. It implies that one can somehow obtain global aggregates directly, and then break these down. There is in fact no way of obtaining the aggregates except by adding together figures for particular activities. If one cannot construct tables of commodity flows, or accounts for key sectors, one cannot properly estimate the items on the main tables at all: thus the only practical way of estimating construction is by grossing up the data on imported and domestically produced building materials.

The UN Statistical Office and other agencies have a great responsibility not to encourage (in manuals, technical assistance and questionnaires) statistical offices to publish global tables prematurely.

It is necessary to build up statistics with a structure tailor-made to the requirements of the country concerned. This does not mean that the SNA is useless: it can generally be adapted to meet national needs. When a statistical office is in a position to take the responsibility of moving from detailed statistics to global aggregates, it will be useful to follow international practices on definitions, so far as this is compatible with national needs. These could well in fact, be kept in mind from the outset, so that adjustments do not have to be made when aggregation is attempted.

The MPS provides an alternative accounting framework. There was an interesting, if brief, debate on this. Its proponents argue that this is an easier system for countries without very elaborate statistics, because it is confined to material production⁵.

¹ One participant said he had asked the director of a statistical office how the latter justified the assumption, built into his national accounts, that food output per head of the population remained constant. "Well", the reply came, "when I motor through the rural areas, I don't see any sign that it changes!"

² 'Statistical Policy and Measurement Problems in Less Developed Countries' (IDS, mimeo, 1975). Michael Ward instances Botswana, Lesotho and Swaziland.

³ Discussed in a conference paper by Reginald Green to be printed in a forthcoming issue of the *IDS Bulletin*.

⁴ See Biplab Dasgupta, 'National Statistical Offices' for further discussion on this subject.

⁵ Zoran Popov argues that the structure of the MPS reflects the needs for planning the output and distribution of key products in the Soviet Union in the 1920s. 'The National Accounting System in East European Socialist Countries' (IDS, mimeo, 1975).

Moreover, the aggregate material output may be more meaningful, since increases in services, especially government administrative services, are not really desirable. On the other hand, if the national income is no longer considered an important yardstick of progress, this argument loses some of its force. Besides, the SNA does have the advantage of enabling fiscal operations to be traced through the various sectors.

Neither system makes provision for accounts showing the activities of foreign companies (an omission which reflects their origins in countries where these are relatively unimportant). Such accounts can certainly be grafted onto the SNA, without difficulty. The crux of the criticism of the SNA is not, in fact, that it cannot accommodate such needs, but that its emphasis is wrong. Reflecting the practice of the industrial countries, it focuses attention heavily on the main tables, especially the gross domestic product itself, and international agencies reinforce this bias by requesting national statistical offices to provide data for aggregates long before their preparation is defensible, resulting in figures which are little better than random numbers.

Of course, planning offices (or finance ministries) may need global aggregates, but there is nothing to stop them, with the help of the statistical office, producing national accounts on a 'back of the envelope' basis (making their hypotheses about unrecorded activities). Then the statistical office would not carry the responsibility for the publication of figures which are the product, in part, of guessing so wild that it detracts from the professional status of official statisticians.

It was argued by Kari Levitt⁶ that an aggregate account of 'savings and investment' was particularly liable to mislead the public, and even planners and policymakers, because it could encourage them to assume that the total savings could be freely allocated to various forms of investment. In practice, however, there was little flexibility, especially in countries where the capital market was not fully developed. Those who saved decided how the savings should be used: thus corporate savings were likely to be used for reinvestment in the same sector (if they were not sent overseas), private savings were often mainly available for luxury housing, much of the inflow of capital (reflected in the net import surplus) was destined for specific purposes, whether it originated in multinational corporations or aid agencies.

Defenders of the SNA argued that before the 1968 version had been prepared, there had been ex-

tensive consultations with the representatives of 'developing' countries⁷. These countries had endorsed the SNA in regional conferences, and the UN Statistical Commission, which contains a majority of such countries, had adopted it. However, it is undeniable that the professional input into the SNA came largely from the industrial countries, where experience in national accounting is much more extensive. This was especially true in the 1950s and 1960s, when the SNA was taking shape. Many countries were still colonies, or had only recently become independent, and their own accounting systems had often been constructed either in the colonial period or by technical assistance experts from industrial countries. In such circumstances, especially if one allows for the great burden of work on government statistical offices, the rather formal atmosphere of UN meetings, and the shortness of time to discuss very complex issues, consultation is inevitably rather a formality.

The main questions are whether special provision needs to be made in the accounts for foreign companies (previously mentioned), public corporations, the informal sector; which key sectors need to be shown separately (e.g. oil, copper, sugar or tourism); and whether there should be geographical divisions corresponding to political or socio-economic entities. If the accounts have been built up gradually from sectoral detail, corresponding to problem areas, these issues will hardly arise.

However, it would help the long-term planning of national statistical work to indicate what sort of considerations need to be taken into account in constructing a structure of national accounts for any particular country. Very little research seems to have gone into this question, but it was much discussed in both the seminar and the conference on statistical policy. Obviously it has a bearing on the choice of statistical priorities.

The eventual accounting structure should depend on a series of factors which determine the demand for statistics, and their supply:

Geographical The area and diversity of a country; the degree of urbanization.

Political The long-term objectives of the government, and the interests of those outside the government in alternative development strategies; the degree and nature of government involvement in the economy; and the extent of devolution of powers to provincial government.

Administrative The quality of administration, especially the number and quality of economists and of statisticians; the extent of data gathering.

⁶ See her conference paper, 'New Approaches to National Economic Accounts in a Caribbean Context'.

⁷ See the discussion on International Economic Statistics: note by A. Aidenoff.

Economic The importance of foreign trade and the degree of concentration on a few export commodities; the proportion of economic activities covered by large units; the relative size of agriculture.

These determinants of what sort of structure would eventually be appropriate appear so numerous that a very large number of structures would have to be considered. But the various characteristics are themselves associated — thus small countries are generally more dependent on foreign trade, especially one or two exports, and, where the main source of foreign exchange is dynamic (e.g. oil, tourism or manufacturing), they tend to be highly urbanized and to have large government sectors. The accounting structure devised for Trinidad may not be very different from what would be needed for Libya — or for Bermuda or Singapore — since they will in each case start with the need to document the income flows generated by the key sector, especially how they are transmitted (via the government or otherwise) to the other parts of the economy.

In India, Indonesia and Brazil, on the other hand, the main concern may be rather with the consumption levels of the poor, especially in rural areas, so the highest statistical priority may be needed for documenting these and for showing how much of the proceeds of agricultural production in different regions are syphoned off by landlords, moneylenders, marketing agencies etc. This points to priorities for regional statistics, possibly to be woven later into national data, which are, however, of limited meaning for countries so large and diverse.

It would be helpful if statistical agencies, such as the United Nations Statistical Office, focused attention on the typology of statistical needs, and the consequent pattern of priorities in data collection, rather than on presumed common needs. No attempt seems to have been made to organize case studies on what sort of mutation of the SNA might be found appropriate for various types of country (when the statistics for each sector had been developed to a level where they could be defensibly linked together into aggregates).

The International Economy

by Dudley Seers

More information was now clearly required about the operations of the international economy. The expansion of the multinational companies has rendered conventional trade statistics partially obsolete. A growing proportion of transactions that cross national boundaries are internal to the company concerned. Moreover, the political power and economic weight of the MNCs are giving rise to

growing concern. Detailed information was needed on these corporations (including their branches and affiliates in various countries) and on their transactions.

The conference was informed that the United Nations is now studying the possibility of compiling data of this kind. A register of the structure and branches of the MNCs was being considered. Data may be collected either directly by the UN Statistical Office, or through national governments. A system of foreign trade matrices was a starting point.

Information about the marketing channels of developing countries' export commodities, including trade margins at the various stages, was of vital importance for the countries concerned, and indeed to others as well. Similarly, governments of developing countries are highly interested in the marketing structure for their imports, a field of statistics virtually untouched so far by international organizations. Additional requirements were raised by the pressure for indexation of commodity prices. For this and other purposes unit values were rarely satisfactory measures and there was a need for more precise identification of import and export prices.

There are many difficulties: the familiar problem of nominal prices declared for customs purposes, especially by MNCs,¹ distorts the value of trade statistics for economic analysis. Moreover, it is not easy to evaluate the relative importance of MNC operations in the domestic market. It was agreed that much has to be done to improve the quality of these statistics of less developed countries. One possibility is the matching of trade unit values, as reported by both trade partners. Tanzanian experience in checking the wholesale prices of commodities exported and imported, by mobilizing all types of supplementary information, was mentioned as another example of what could be done.

UNCTAD was initiating some work on commodity export and import prices for specified groups of countries but true 'trade' prices were difficult to identify when international transactions took place between two affiliates of the same company, in a vertically integrated organization. This was a problem which governments found difficult to solve: many were weak and had no legal authority to contend with it. The challenge of new data collection had to be faced at an international level, and as a beginning the UN could prepare a comprehensive list of prices of commodities at various levels of processing.

¹ See paper by Reginald Green to be published in *IDS Bulletin*, vol. 7, no. 3.